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T.R.A. DOCKET ROOM

April 13, 2005

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Sharla Dillon, Docket Room Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

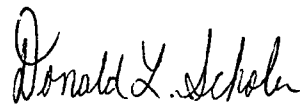
*Via Hand Delivery*

Re: Petition of Lynwood Utility Corporation for Approval of Transfer and Control  
*Nunc Pro Tunc*  
Docket No. 04-00360

Dear Ms. Dillon:

I have enclosed for filing an original and fourteen copies of the Response of Lynwood Utility Corporation to the Staff's April 6, 2005 Letter Request in this docket. I have enclosed an extra copy which I would appreciate your returning to me stamped filed. Thank you for your assistance in this matter.

Sincerely yours,



DONALD L. SCHOLES

Enclosures

c Tyler Ring  
James Ford

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**Nashville, Tennessee**

**In re: PETITION OF LYNWOOD UTILITY )**  
**CORPORATION FOR APPROVAL )**  
**OF TRANSFER AND CONTROL ) DOCKET NO. 04-00360**  
***NUNC PRO TUNC* )**

**PETITIONER'S RESPONSE TO STAFF'S APRIL 6, 2005 LETTER REQUEST**

Comes now Lynwood Utility Corporation (Lynwood) and files this Response to the Staff Request set forth in its April 6, 2005, letter to counsel for Lynwood.

1. Provide a detailed documentation of the Promissory Note ("Note") signed between Lynwood Utility Corporation ("Borrower") and Tenn. Contractors, Inc. ("Lender") including copies of any documents showing how much of the Note has been used to date, how much principal has been paid to Lender, how much interest expenses (*sic*) has been paid to Lender, and the unpaid balances on the principal and interests (*sic*) as of December 31, 2004 and March 31, 2004.

Response: Enclosed is a copy of the most recent Promissory Note dated January 1, 2005, for the line of credit signed by Lynwood and Tenn. Contractors, Inc. for an amount up to \$1,250,000 which has been renewed for another six months. There are no documents which show how much of the Note has been used to date other than the normal entries into Lynwood's accounting records. Although not specifically requested, enclosed is a letter dated December 15, 2002 from Tenn. Contractors, Inc. to Lynwood confirming the commitment of the line of credit, the Security Agreement signed by Lynwood and Tenn. Contractors, Inc., the original Promissory

Note dated January 1, 2003, the renewal Note dated July 1, 2003 and the renewal Note dated January 1, 2004.

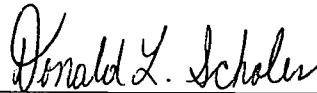
To date Lynwood has borrowed \$980,000 on the Promissory Note which has been recorded as a liability on Lynwood's balance sheet. This amount is reflected on line 39 on page F-4 of Lynwood's 2004 Annual Report which has been filed with the Authority. No additional amounts have been borrowed on the line of credit Note since December 31, 2004.

Lynwood has made no principal payments to the Lender on the Note. The principal balance on the Note as of December 31, 2004 was \$980,000. The principal balance on the Note as of March 31, 2005 was \$980,000 (the Authority's April 6, 2005 letter referenced March 31, 2004 rather than March 31, 2005 which Lynwood took to be a typographical error in the year date).

Lynwood has made no interest payments to Lender on the Note. The interest amount owed on the Note as of December 31, 2004 was \$87,922 as reflected on line 45 on page F-4 of the 2004 Annual Report. The interest amount owed on the Note as of March 31, 2005 was \$105,684.

Dated this 13<sup>th</sup> day of April, 2005.

Respectfully submitted,



---

DONALD L. SCHOLES BPR# 10102  
**Branstetter, Kilgore, Stranch & Jennings**  
227 Second Avenue, North, Fourth Floor  
Nashville, TN 37201-1631  
(615) 254-8801

*Attorney for Lynwood Utility Corporation*

**PROMISSORY NOTE**  
**(Line of Credit)**

\$1,250,000 00

Franklin, Tennessee  
January 1, 2005

**FOR VALUE RECEIVED**, the undersigned, **LYNNWOOD UTILITY CORPORATION**, a Tennessee corporation, ("**Borrower**"), promises to pay to **TENN. CONTRACTORS, INC.**, a Tennessee corporation, ("**Lender**"), having an address at P O. Box 314, Franklin, TN 37065-0314, the principal sum of One Million Two Hundred Fifty Thousand and No/100 (\$1,250,000.00) Dollars, together with interest from date until paid, upon disbursed and unpaid principal balances, at the rate hereinafter specified, said interest being payable on the first day of each consecutive month hereafter, commencing January 1, 2005, with the final installment of interest being due and payable concurrently on the same date that the principal balance is due hereunder. The entire unpaid principal balance, plus accrued and unpaid interest, shall be due June 30, 2005; however, the Note shall be renewable, at Lender's discretion, for an additional six months upon the terms and conditions set out herein.

The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the Wall Street Journal Prime rate as published in the Wall Street Journal. When a range of rates has been published, the higher of the rates will be used (the "**Index**"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notice to Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day. The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of two (2) percentage points over the Index. **NOTICE:** Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law. Whenever increases occur in the interest rate, Lender, at its option, may do one or more of the following: (A) increase Borrower's payments to ensure Borrower's loan will pay off by its original final maturity date, (B) increase Borrower's payments to cover accruing interest, (C) increase the number of Borrower's payments, and (D) continue Borrower's payments at the same amount and increase Borrower's final payment.

Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs. The annual interest rate for this Note is computed on a 365/360 basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's office address shown above, or at such other place as Lender may designate in writing.

Upon default, including failure to pay under final maturity, Lender, at its option, may, if permitted under applicable law, increase the interest rate on this Note to 21.000% per annum. In no event will the effective total interest rate on this Note to be greater than the rate permitted by applicable law.

Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

**PRIOR TO SIGNING THIS NOTE, THE BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.**

**BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.**

**BORROWER: LYNNWOOD UTILITY CORPORATION**

BY:  

\_\_\_\_\_  
Tyler Ring, President

**TENN. CONTRACTORS, INC.**

*P.O. Box 314  
Franklin, TN 37065-0314*

As of December 15, 2002

Tyler Ring, President  
Lynnwood Utility Corporation  
5250 Virginia Way, Suite 155  
Brentwood, TN 37027

**RE: Borrower: Lynnwood Utility Corporation  
Line of Credit Loans: \$1,250,000.00**

Dear Mr. Ring

This is to confirm the commitment of **Tenn. Contractors, Inc. ("Lender")** to lend up to One Million Two Hundred Fifty Thousand and No/100 (\$1,250,000 00) Dollars on a line of credit loan basis (the "**Loan**") to provide operating capital to improve or upgrade Borrower's facility to cure existing violations and to procure compliance with the requirements of the Tennessee Regulatory Authority, subject to the following conditions:

**The Loans**

1. The Lender agrees to make a line of credit loan to **Lynnwood Utility Corporation ("Borrower")** in the principal sum of One Million Two Hundred Fifty Thousand and No/100 (\$1,250,000 00) Dollars to be evidenced by Promissory Notes executed by Borrower to the Order of Lender, having a six month maturity date but renewable, at Lender's discretion, for an additional six months (hereinafter referred to, collectively, as the "**Note**").

Interest on the Notes will be at a rate of two (2) percentage points over an independent index which is the Wall Street Journal Prime Rate as published in the Wall Street Journal. The interest rate change will not occur more often than each day

2. This commitment is not transferable and may not be assigned without the prior written permission of the Lender.
3. Any renewals or extensions shall be at Lender's option. However, in the event that Lender should agree to renew or extend the Loan, or any part thereof, interest may be charged, at its option, at any of the following rates:
  - (a) The maximum rate permissible at the time the contracts to make the Loan was executed,  
or

Tyler Ring, President  
Lynnwood Utility Corporation  
As of January 1, 2003  
Page 2

- (b) The maximum rate permissible at the time the Loan was made, or
- (c) The maximum rate permissible at the time of such renewal or extension, or
- (d) The maximum rate permitted by applicable federal law

#### Terms and Conditions

1. The Borrower shall execute in favor of Lender Line of Credit Promissory Note(s) in the principal amount of the Loan. Said Note(s) shall mature six months from the date thereof, but shall be renewable, at Lender's discretion, for an additional six months. Borrower's assets shall be security for the Note(s).
2. The proceeds from this Loan shall be used solely for the purpose of providing Borrower operating capital to improve or upgrade its facility to cure existing violations and to procure compliance with requirements of the Tennessee Regulatory Authority and for no other purpose.
3. Borrower shall execute at closing a Security Agreement together with other loan documents and related collateral documents containing such warranties, covenants, conditions, resolutions and terms as may be satisfactory to Lender and its counsel.
4. All expenses incurred by the Lender pertaining to this loan shall be paid by Borrower and be due and payable at the closing or if they arise after closing, immediately upon notice by the Lender to the Borrower.
5. Compliance with all conditions, covenants and requirements set forth herein and in any other documents, contemplated hereby is a condition of the Loans closing or disbursement hereunder

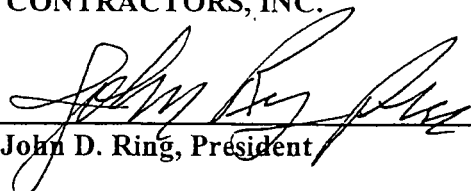
#### Acceptance

The Borrower shall indicate its acceptance and the acceptance of all the terms and provisions herein contained by signing this letter in the space provided.

**LENDER:**

**TENN. CONTRACTORS, INC.**

BY: \_\_\_\_\_

  
John D. Ring, President

Tyler Ring, President  
Lynnwood Utility Corporation  
As of January 1, 2003  
Page 3

The undersigned accepts and agrees to the terms and conditions of this Commitment

**BORROWER:**

**LYNNWOOD UTILITY CORPORATION**

BY:  

Tyler Ring, President



## SECURITY AGREEMENT

### Debtor

LYNNWOOD UTILITY CORPORATION  
5250 Virginia Way, Suite 155  
Brentwood, TN 37027

### Secured Party

TENN. CONTRACTORS, INC.  
P.O. Box 314  
Franklin, TN 37065-0314

- Section 1. Security Interest; Obligation Secured.** Debtor hereby grants to Secured Party a security interest in, and grants, bargains, sells, conveys, assigns and transfers, subject to the terms hereof, the property rights described in Section 2 (herein called "**Collateral**") to secure payment or other performance of all of Debtor's obligations and liabilities to Secured Party whether now existing or hereafter existing, including the indebtedness for a term loan evidenced by a Promissory Note (Line of Credit) of even date herewith in the principal amount of One Million Two Hundred Fifty Thousand and No/100 (\$1,250,000.00) Dollars (herein called "**Indebtedness**") Debtor shall have the right to the possession and use of Collateral in any lawful manner not inconsistent with this Agreement until default hereunder.
- Section 2. Description of Collateral.** All of Debtor's assets as described in Exhibit "A" attached hereto and incorporated herein by reference as if copied verbatim.
- Section 3. Authorization to File Financing Statements.** Debtor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the State of Tennessee or such other jurisdiction, or (ii) as being an equal or less scope or with greater detail and (b) contain any other information required by Part 5 of Article 9 of the Uniform Commercial Code of the State of Tennessee or the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether Debtor is an organization, the type of organization and any organization identification number issued to Debtor, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, as sufficient description of real property to which the Collateral relates. Debtor agrees to furnish any such information to Secured Party promptly upon request. Debtor has rights in or the power to transfer the Collateral and its title to the Collateral is free of all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Agreement.

**Section 4. Representations, Covenants and Warranties of Debtor.**

(a) Debtor will, at its cost and expense, execute, deliver, file or record (in such manner and form as Secured Party may require) financing statement(s) or other paper that may be necessary or desirable or that the Secured Party may request in order to create, reserve, perfect, validate or satisfy any security interest granted hereby or to enable Secured Party to exercise and enforce its rights hereunder. The right is expressly granted to Secured Party, in its discretion, to file one or more financing statements under the Uniform Commercial Code naming Debtor as Debtor and Secured Party as Secured Party and indicating therein the Collateral herein specified.

(b) Debtor will (i) keep such books and records pertaining to the Collateral at such office or offices of Debtor as shall be satisfactory to Secured Party, (ii) permit representatives of Secured Party at any time to inspect and make abstracts from Debtor's books and records pertaining to the Collateral, and (iii) furnish to Secured Party such information and reports regarding the Collateral and Debtor's financial status as Secured Party may from time to time require.

(c) Debtor will transmit to Secured Party promptly all information that it may have or receive which might in any way affect the value of the Collateral or Secured Party's rights or remedies with respect thereto.

(d) Debtor will not sell, assign or create a security interest in or otherwise encumber any of the Collateral to or in favor of anyone other than Secured Party, except as set out herein.

(e) Debtor will not use or permit the Collateral to be used for any unlawful purpose or in violation of any federal, state or municipal law, statute or ordinance

(f) Debtor will indemnify Secured Party against all claims arising out of or in connection with Debtor's ownership or use of the Collateral.

(g) Debtor shall procure, keep in force, and pay for, insurance on said Collateral, in such amounts and forms, and against such risks, and with such insurers as may be acceptable to Secured Party and such policies evidencing said insurance shall be furnished to Secured Party. If Debtor fails to furnish said insurance or fails to pay the premiums therefor, Secured Party may do so or may obtain insurance of its interest only, adding the amount of any such premium thereof to the other amounts secured hereby, however, Secured Party is under no obligation nor duty to pay such premiums or perfect such insurance. Debtor hereby assigns to Secured Party any returned or unearned premiums which may be due upon cancellation of any of said policies for any reason whatsoever, and directs the insurers to pay Secured Party any amount so due, unless the Secured Party has been previously fully satisfied. In order to collect

such returned or unearned premiums or the benefits of such insurance, the Secured Party or any of its officers, agents, or employees are hereby appointed Debtor's attorney-in-fact to endorse any draft or check which may be payable to Debtor; any balance of insurance proceeds remaining after payment in full of all amounts owing to Secured Party shall be paid to Debtor. Such returned or unearned insurance premiums or the benefits of such insurance, may, at Secured Party's option, be used for other insurance or to repair, restore, or replace the Collateral, or may be applied to any indebtedness secured hereunder, and if the indebtedness is payable in installments, then the installments in inverse order, satisfying the final maturing installments first.

(h) Debtor will not permit any of the goods to be removed from the location specified herein, and Debtor will promptly notify Secured Party of any change of Debtor's residence, or in the location of the Collateral within the state, and Debtor will not remove the Collateral from the county of the Debtor's residence or from the county where the property is to be located as shown herein without the prior written consent of Secured Party, and will permit Secured Party to inspect the Collateral at any time.

(i) Debtor will not permit anything to be done that may impair the value of any of the goods or the security intended to be afforded by this Agreement.

(j) Debtor represents that the collateral described herein is unencumbered, free and clear of any liens

**Section 5.** **Expenses.** Debtor will, upon demand, pay to Secured Party forthwith the amount of all expenses including the reasonable attorney's fees and legal expenses incurred by Secured Party in seeking to collect or enforce any rights in the Collateral and, upon any default by Debtor, in seeking to collect the Indebtedness.

**Section 6.** **General Authority.** Upon default on Debtor's part hereunder, Debtor hereby irrevocably appoints Secured Party as Debtor's true and lawful attorney-in-fact with full power of substitution, in Secured Party's name or Debtor's name or otherwise, for Secured Party's sole use and benefit, but at Debtor's cost and expense, to exercise at any time and from time to time all or any of the following rights with respect to all or any of the Collateral:

(a) To demand, sue for collection, receive and give acquittance for any and all monies due or to become due upon or by virtue thereof,

(b) To receive, take, endorse, assign and deliver any and all checks, notes, drafts, documents and other property taken or received by Secured Party in connection therewith;

(c) To settle, compromise, compound, prosecute or defend any action or proceeding with respect thereof;

(d) To sell, transfer, assign or otherwise deal in or with the same or the proceeds thereof, as fully and effectually as if Secured Party were the absolute owner thereof, and

(e) To extend the time of payment and to make any allowance and other adjustments with reference thereto, provided, however, the exercise by Secured Party of or failure to so exercise any such authority shall in no manner affect Debtor's liability to Secured Party hereunder or in connection with the indebtedness, and provided further, that Secured Party shall be under no obligation or duty to exercise any of the powers hereby conferred upon it and it shall be without liability for any act or failure to act in connection with the collection of, or the preservation of any rights under, any of the Collateral. Secured Party shall not be bound to take any steps necessary to preserve rights in any instrument or lease against prior parties

**Section 7. Events of Default, Acceleration.** Any or all of the Indebtedness shall, at the option of Secured Party become immediately due and payable without notice or demand upon the occurrence of any of the following events of default.

(a) Default in the payment or performance of any Indebtedness, obligation or covenant contained herein or in any note or loan agreement, or other document evidencing any of the Indebtedness secured hereby; or

(b) Loss, destruction, sale (other than in the ordinary course of business) or unauthorized encumbrance of any of the Collateral, or

(c) Any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor proves to have been false in any material respect when made or furnished; or

(d) Dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the property of, assignment for the benefit of creditors by or the commencement of any proceedings under any bankruptcy or insolvency law by or against the Debtor; or

(e) Permitting a judgment against Debtor to remain unsatisfied for more than thirty (30) days

**Section 8. Rights and Remedies on Default.** Upon the occurrence of any such event of default, and at any time thereafter, Secured Party may exercise from time to time any rights and remedies available to it under applicable law Any notice of intended

disposition of any of the Collateral required by law shall be deemed reasonable if such notice is given at least five (5) days before the time of such disposition. Any proceeds of any disposition of the Collateral by Secured Party may be applied to the payment of expenses in connection with the Collateral, including reasonable attorney's fees and legal expenses, and any balance of such proceeds may be applied by Secured Party toward the payment of the Indebtedness in accordance herewith.

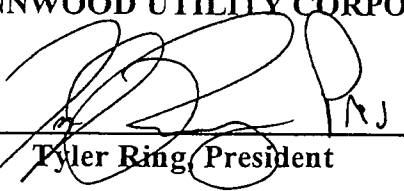
**Section 9. General.** Secured Party shall not be deemed to have waived any of Secured Party's rights hereunder or under any other agreement, instrument or paper signed by Debtor unless such waiver be in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. Any notice from Secured Party to Debtor, if mailed, shall be deemed given when mailed, postage prepaid, addressed to Debtor at Debtor's address shown above, or at any other address of Debtor appearing on Secured Party's records. The covenants, representations, warranties and agreements herein set forth shall be binding upon Debtor, its heirs and assigns. Unless the context otherwise requires, all terms used herein which are defined in the Uniform Commercial Code in the State of Tennessee shall have the meanings therein stated.

IN WITNESS WHEREOF, the parties have executed this Agreement at Franklin, Tennessee, as of the 1<sup>st</sup> day of January, 2003.

**DEBTOR:**

**LYNNWOOD UTILITY CORPORATION**

BY: \_\_\_\_\_

  
Tyler Ring, President

**SECURED PARTY:**

**TENN. CONTRACTORS, INC.**

BY: \_\_\_\_\_

  
John D. Ring, President

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## EXHIBIT "A"

(a) All of Debtor's machinery, tools, equipment, furniture, furnishings and fixtures, of every kind and nature, movable or immovable, wherever located and whether now owned or hereafter existing, and all parts thereof and replacements, additions and accessions thereto (any and all such property being hereinafter referred to as the "**Equipment**");

(b) All of Debtor's inventory in all of its forms, wherever located and whether now or hereafter existing, and all accessions thereto and products thereof, including raw materials, materials awaiting manufacture, work-in-process, finished products, materials used or consumed in Debtor's business, and all warehouse receipts, bills of lading and other documents of title evidencing or representing any part thereof (collectively hereinafter referred to as "**Inventory**"),

(c) All of Debtor's accounts, accounts receivable, chattel paper, instruments and other obligations of any kind, whether or not evidenced by an instrument or chattel paper, and whether or not it has been earned by performance (collectively hereinafter referred to as "**Accounts Receivable**" or "**Receivables**") whether now or hereafter existing, arising out of or in connection with the sale or lease of goods or the rendering of services or otherwise, and all rights now or hereafter existing in and to all security agreements, leases and other contracts securing or otherwise relating to any such Accounts Receivable,

(d) All of Debtor's customer lists, ledger and account cards, computer tapes, discs and printouts, and books and records of Debtor; and any and all other properties and assets of Debtor of whatever nature, tangible or intangible, wherever located and whether now or hereafter existing;

(e) All of Debtor's contract rights and general intangibles ("**General Intangibles**") of every kind, character and description, both now owned and hereafter acquired, including, without limitation, goodwill, trademarks, trade styles, trade names, patents, patent applications, and deposit accounts,

(f) All proceeds ("**Proceeds**") of any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is the loss payee thereof), any indemnity, warranty, or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral, and including, without limitation, all monies due or to become due in connection with any of the Collateral, guaranties and security for the payment of such monies, the right of stoppage in transit, and all returned or repossessed goods arising from a sale or lease thereof (although proceeds are covered, Secured Party does not authorize the sale or other transfer of any of the Collateral or the transfer of any interest in the Collateral, except for the sale of goods in the ordinary course of Debtor's business),

In each case, whether now owned or hereafter acquired by the Debtor and howsoever Debtor's interest therein may arise or appear (whether by ownership, lease, security interest, claim, or otherwise).

**PROMISSORY NOTE**  
**(Line of Credit)**

\$1,250,000.00

Franklin, Tennessee  
January 1, 2003

**FOR VALUE RECEIVED**, the undersigned, **LYNNWOOD UTILITY CORPORATION**, a Tennessee corporation, ("**Borrower**"), promises to pay to **TENN. CONTRACTORS, INC.**, a Tennessee corporation, ("**Lender**"), having an address at P.O. Box 314, Franklin, TN 37065-0314, the principal sum of One Million Two Hundred Fifty Thousand and No/100 (\$1,250,000 00) Dollars, together with interest from date until paid, upon disbursed and unpaid principal balances, at the rate hereinafter specified, said interest being payable on the first day of each consecutive month hereafter, commencing February 1, 2003, with the final installment of interest being due and payable concurrently on the same date that the principal balance is due hereunder. The entire unpaid principal balance, plus accrued and unpaid interest, shall be due June 30, 2003, however, the Note shall be renewable, at Lender's discretion, for an additional six months upon the terms and conditions set out herein.

The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the Wall Street Journal Prime rate as published in the Wall Street Journal. When a range of rates has been published, the higher of the rates will be used (the "**Index**"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notice to Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day. The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of two (2) percentage points over the Index. **NOTICE:** Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law. Whenever increases occur in the interest rate, Lender, at its option, may do one or more of the following. (A) increase Borrower's payments to ensure Borrower's loan will pay off by its original final maturity date, (B) increase Borrower's payments to cover accruing interest, (C) increase the number of Borrower's payments, and (D) continue Borrower's payments at the same amount and increase Borrower's final payment.

Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs. The annual interest rate for this Note is computed on a 365/360 basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's office address shown above, or at such other place as Lender may designate in writing.

Upon default, including failure to pay under final maturity, Lender, at its option, may, if permitted under applicable law, increase the interest rate on this Note to 21.000% per annum. In no event will the effective total interest rate on this Note to be greater than the rate permitted by applicable law.

Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

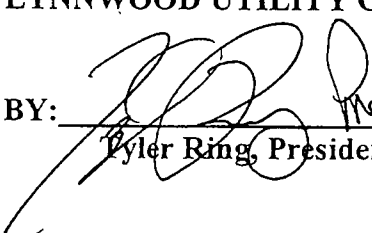
The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

**PRIOR TO SIGNING THIS NOTE, THE BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.**

**BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.**

**BORROWER: LYNNWOOD UTILITY CORPORATION**

BY: \_\_\_\_\_

  
Tyler Ring, President



**PROMISSORY NOTE**  
**(Line of Credit)**

\$1,250,000 00

Franklin, Tennessee  
July 1, 2003

**FOR VALUE RECEIVED**, the undersigned, **LYNNWOOD UTILITY CORPORATION**, a Tennessee corporation, ("**Borrower**"), promises to pay to **TENN. CONTRACTORS, INC.**, a Tennessee corporation, ("**Lender**"), having an address at P O. Box 314, Franklin, TN 37065-0314, the principal sum of One Million Two Hundred Fifty Thousand and No/100 (\$1,250,000.00) Dollars, together with interest from date until paid, upon disbursed and unpaid principal balances, at the rate hereinafter specified, said interest being payable on the first day of each consecutive month hereafter, commencing August 1, 2003, with the final installment of interest being due and payable concurrently on the same date that the principal balance is due hereunder. The entire unpaid principal balance, plus accrued and unpaid interest, shall be due December 31, 2003; however, the Note shall be renewable, at Lender's discretion, for an additional six months upon the terms and conditions set out herein.

The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the Wall Street Journal Prime rate as published in the Wall Street Journal. When a range of rates has been published, the higher of the rates will be used (the "**Index**"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notice to Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day. The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of two (2) percentage points over the Index. **NOTICE:** Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law. Whenever increases occur in the interest rate, Lender, at its option, may do one or more of the following: (A) increase Borrower's payments to ensure Borrower's loan will pay off by its original final maturity date, (B) increase Borrower's payments to cover accruing interest, (C) increase the number of Borrower's payments, and (D) continue Borrower's payments at the same amount and increase Borrower's final payment.

Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs. The annual interest rate for this Note is computed on a 365/360 basis, that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's office address shown above, or at such other place as Lender may designate in writing.

Upon default, including failure to pay under final maturity, Lender, at its option, may, if permitted under applicable law, increase the interest rate on this Note to 21.000% per annum. In no event will the effective total interest rate on this Note to be greater than the rate permitted by applicable law.

Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

**PRIOR TO SIGNING THIS NOTE, THE BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.**

**BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.**

**BORROWER: LYNNWOOD UTILITY CORPORATION**

BY: \_\_\_\_\_

  
Tyler Ring, President

**PROMISSORY NOTE**  
**(Line of Credit)**

\$1,250,000.00

Franklin, Tennessee  
January 1, 2004

**FOR VALUE RECEIVED**, the undersigned, **LYNNWOOD UTILITY CORPORATION**, a Tennessee corporation, ("**Borrower**"), promises to pay to **TENN. CONTRACTORS, INC.**, a Tennessee corporation, ("**Lender**"), having an address at P O. Box 314, Franklin, TN 37065-0314, the principal sum of One Million Two Hundred Fifty Thousand and No/100 (\$1,250,000 00) Dollars, together with interest from date until paid, upon disbursed and unpaid principal balances, at the rate hereinafter specified, said interest being payable on the first day of each consecutive month hereafter, commencing February 1, 2004, with the final installment of interest being due and payable concurrently on the same date that the principal balance is due hereunder. The entire unpaid principal balance, plus accrued and unpaid interest, shall be due June 30, 2004; however, the Note shall be renewable, at Lender's discretion, for an additional six months upon the terms and conditions set out herein.

The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the Wall Street Journal Prime rate as published in the Wall Street Journal. When a range of rates has been published, the higher of the rates will be used (the "**Index**"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notice to Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day. The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of two (2) percentage points over the Index. **NOTICE:** Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law. Whenever increases occur in the interest rate, Lender, at its option, may do one or more of the following: **(A)** increase Borrower's payments to ensure Borrower's loan will pay off by its original final maturity date, **(B)** increase Borrower's payments to cover accruing interest, **(C)** increase the number of Borrower's payments, and **(D)** continue Borrower's payments at the same amount and increase Borrower's final payment

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Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

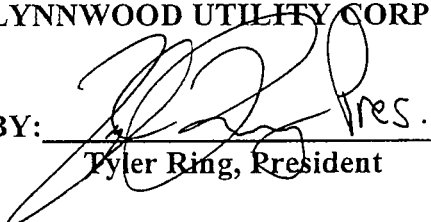
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**BORROWER: LYNNWOOD UTILITY CORPORATION**

**BY:**

 Pres.  
Tyler Ring, President